

DE 03-210

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

**Request to Change Stranded Cost Rate Component for Effect
January 1, 2004**

Order Approving Stranded Cost Rate Component Adjustment

O R D E R N O. 24,260

December 31, 2003

APPEARANCES: Devine, Millimet & Branch, P.A. by Mark W. Dean, Esq. for New Hampshire Electric Cooperative, Inc.; Office of Consumer Advocate by F. Anne Ross, Esq. on behalf of residential ratepayers; and Amy Ignatius, Esq. of the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On November 5, 2003, the New Hampshire Electric Cooperative, Inc. (NHEC) filed with the New Hampshire Public Utilities Commission (Commission) a Request to Change Stranded Cost Charge Rate Component for NHEC members, for bills rendered on or after January 1, 2004. NHEC filed testimony of Brenda C. Inman in support of the request.

NHEC is a rural electric cooperative for which a certificate of deregulation is on file, pursuant to RSA 301:57. The Commission, therefore, does not regulate much of NHEC's service and rates. RSA 374-F, however, requires NHEC to include in its rates stranded cost charges.

The Commission, on November 24, 2003, entered an Order of Notice summarizing the terms of the request, setting a

deadline of December 9, 2003 for intervention requests and scheduling a hearing on the merits for December 12, 2003.

The Office of Consumer Advocate (OCA) notified the Commission on December 1, 2003 of its intention to participate on behalf of residential ratepayers, pursuant to RSA 363:28. There were no other intervenors.

Though there was no formal discovery schedule, Commission Staff (Staff) propounded data requests on December 2, 2003, to which NHEC responded on December 9, 2003. By agreement, NHEC submitted on December 15, 2003 a late filed exhibit, in response to a record request made by Staff.

II. POSITIONS OF THE PARTIES AND STAFF

A. New Hampshire Electric Cooperative

NHEC's request was for a stranded cost charge of \$0.01801 per kWh, which is a decrease from the current charge of \$0.02169 per kWh. The reduction is due primarily to the inclusion for the first time of the sales attributable to ski area load in NHEC's service territory. The ski areas have been under special contracts that are due to terminate December 31, 2003.

NHEC also has redesigned some of its rates, for which Commission approval is unnecessary. The cumulative effect of the rate design change and proposed stranded cost adjustment is

a decrease of \$1.69 per month for a residential customer using 500 kWh per month.

B. Office of Consumer Advocate

OCA did not submit testimony but questioned NHEC regarding the components of the new calculations, including the sales forecasts used and the increase in the customer demand charge.

C. Commission Staff

Staff did not file testimony but also questioned NHEC on three aspects of the filing. Staff clarified that NHEC's customers are voting members who had the opportunity to review and approve the proposed rate adjustments. NHEC confirmed that the ski areas, who are members, are aware that their load will now be included in the stranded cost forecasts and they will be responsible for their share of the stranded cost recovery once their special contracts expire December 31, 2003.

Staff also queried why NHEC used an interest rate of 6% when 4% more closely approximated the prime rate in effect. NHEC stated it had used 6% for some time, an outgrowth of a period in which the prime rate was close to 6%, and had simply never adjusted it. It asserted that the interest rate used in the forecast was not that significant as the numbers were reconciled on a monthly basis using the actual interest rate in effect at the time. Staff asked, however, that NHEC drop the

forecasted interest rate to 4% to be more realistic and that the calculations be run anew with the lower rate to which NHEC agreed. Late filed Exhibit #3, developed at Staff's request, employs the lower interest rate. The resulting charge is \$0.01800 per kWh, a change so slight it does not alter the rate impact previously estimated for a 500 kWh per month customer.

Staff also asked that, in order to provide for analysis of proposed changes in the calculations of stranded costs, NHEC file proposals with as much lead time prior to implementation as possible, preferably 45 to 60 days in advance. In response to Staff's request, NHEC stated it would be difficult to meet a 60 day standard, given the need to obtain final data for some calculations, but would make every effort to file 45 days in advance.

III. COMMISSION ANALYSIS

We have reviewed the proposed changes to NHEC's stranded cost charge component as well as the forecasts on which the stranded cost charge is based. With the change in the forecasted interest rate, we understand the stranded cost charge now proposed is \$0.01800 per kWh. The amount appears in Exhibit #3.

The Commission does not regulate the rates, terms and conditions of much of NHEC's service, as it is a rural electric cooperative for which a certificate of deregulation is on file.

See RSA 301:57. By statute, however, stranded cost charges must be included in whatever retail rates NHEC adopts, pursuant to RSA 374-F. We understand from testimony that NHEC customers, who are also members, had an opportunity to evaluate and vote on these changes. The ski area members in particular are affected by this filing, as the stranded cost charge will be applied to their load for the first time. The ski areas did not oppose the change.

Based on our review of the record, we find the stranded cost adjustment to be just and reasonable. Accordingly, we approve NHEC's request as filed.

Based upon the forgoing, it is hereby

ORDERED, that the requested stranded cost charge for NHEC customers of \$0.01800 per kWh is hereby APPROVED, for bills rendered on or after January 1, 2004.

By order of the Public Utilities Commission of New
Hampshire this thirty-first day of December, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Graham J. Morrison
Commissioner

Attested by:

Michelle A. Caraway
Assistant Executive Director